

## Message Text

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15

ACTION PM-03

INFO OCT-01 AF-04 ISO-00 NSC-05 SP-02 SS-15 RSC-01 CIAE-00

INR-05 NSAE-00 L-02 AID-05 DODE-00 EB-04 OCL-00 /047 W

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R 080730Z NOV 74

FM AMCONSUL ASMARA

TO AMEMBASSY ADDIS ABABA

INFO OIC NAVCOMMU ASMARA

SECSTATE WASHDC 2990

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E.O. 11652: NA

TAGS: OGEN MARR

SUBJECT: MOFA REPRESENTATIONS

REF ADDIS 12943

1. PARAGRAPH 1(A) OF EMBASSY TELEGRAM REFERS TO A SMALL STORE OPERATED BY CISCO, CIVILIAN CONTRACTORS TO US NAVY NOW OPERATING KAGNEW FACILITIES, CALLED "THE AMERICAN STORE," LOCATED ON KAG-NEW STATION, WHICH SELLS A LIMITED NUMBER OF ITEMS SUCH AS PHOTOGRAPHIC AND SOUND EQUIPMENT, FOODSTUFFS, AND WINES AND LIQUORS, TO INDIVIDUALS WHO HAVE DUTY-FREE PRIVILEGES. MONTHLY SALES AVERAGE US\$20,000 GROSS, AND THE INVENTORY IS THE SAME. THE CONTRACTOR TO OPERATE THE STORE IS FRANCO CELESTE, AN INTERNATIONAL BUSINESSMAN, WITH INTERESTS IN DJIBOUTI (WAREHOUSING AND SOLE SUPPLIER TO THE FRENCH ARMY AND AIR FORCE), SOMALIA AND ETHIOPIA. THE STORE IS SUPPLIED FROM HIS WAREHOUSE IN DJIBOUTI. HE IS ALSO SUPPLIER TO ETO.

2. CONGEN DOES NOT BELIEVE THAT DUTY-FREE ITEMS FROM THE AMERICAN STORE ARE BEING DIVERTED FOR RESALE TO UNAUTHORIZED PERSONS. HOWEVER, AT CONGEN REQUEST, THE OIC, NAVCOMMU, AND THE ADMINISTRATIVE/LOGISTICS OFFICER OF CISCO, EXAMINED THE SALES AND STOCK RECORDS ON OCTOBER 30, 1974. THE EXAMINATION COVERED THE PERIOD FROM AUGUST 1, 1974, WHEN THE STORE OPENED, TO OCTOBER 30. THEY DID

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NOT FIND ANY EVIDENCE OF EXCESSIVE BUYING THAT WOULD INDICATE IL-

LEGAL INTENT, AND RANDOM CHECKS WITH THE BUYERS FOUND ALL ITEMS IN THEIR POSSESSION. THE STOCK RECORDS ALSO WERE CORRECT.

3. FOR EMBASSY INFORMATION: CONGEN HAS RECEIVED REPORTS THAT SOME MEMBERS OF KAGNEW STATION HAVE SOLD ITEMS TO UNAUTHORIZED PERSONS, BUT INVESTIGATIONS HAVE PROVED THE REPORTS TO BE FALSE. FRANCO CELESTE HIMSELF HAS BEEN ACCUSED OF DIVERTING GOODS INTO ILLEGAL CHANNELS, WHICH IS VIRTUALLY IMPOSSIBLE DUE TO THE CLOSE SUPERVISION AND WAREHOUSE CONTROLS IMPOSED BY CISCO. IT IS THE PRIVATE OPINION OF KAGNEW STATION OFFICIALS THAT THESE RECRIMINATIONS ORIGINATE FROM THE ETO DUTY-FREE STORE, AS IT IS KNOWN THAT THE ETO MANAGER HAS ATTEMPTED TO HAVE PRICES INCREASED TO ETO PRICE LEVELS, WHICH ARE MUCH HIGHER. FOR EXAMPLE, FILM AT THE ETO STORE SELLS FOR AS MUCH AS SIXTY PERCENT MORE, AND ALL PRICES RANGE FROM 20 TO 60 PERCENT ABOVE THE AMERICAN STORE. ALSO, MANY AMERICANS ARE REGULARLY UNDER HEAVY PRESSURE FROM PERSONS NOT HAVING DUTY-FREE PRIVILEGES TO PURCHASE ITEMS. THIS INCLUDES THE OIC, NAVCOMM, WHO IS BEING BADGERED BY AN ETHIOPIAN NAVY COMMANDER TO BUY SOME SOUND EQUIPMENT FOR HIM.

4. ALL RESPONSIBLE OFFICIALS AT KAGNEW STATION ARE AWARE OF THE PROBLEM AND COOPERATE FULLY TO CONTROL THE ILLEGAL SALES. CONGEN IS SATISFIED THAT DUTY-FREE ITEMS ARE NOT BEING DIVERTED FOR RESALE TO UNAUTHORIZED PERSONS, EXCEPT POSSIBLY IN RARE INDIVIDUAL INSTANCES.

5. PARAGRAPH 1(B) REFERS TO AN AGREEMENT (NO. ENG-L-0010-72, DATED JULY 2, 1974) BETWEEN LORENZO FANTOZZI AND THE UNITED STATES NAVAL COMMUNICATIONS STATION, ASMARA, IN WHICH MR. FANTOZZI LEASED THE RED SEA REST CENTER IN MASSAWA TO USNAVCOMMSTA. THE LEASE PROVIDED THAT UPON ITS EXPIRATION, THE LESSEE WOULD RETURN THE PREMISES TO THE LESSOR IN THE CONDITION WHICH EXISTED AT THE TIME OF ENTERING INTO THE CONTRACT. THE CONTRACTING PARTIES LATER AGREED THAT THE LESSEE WOULD LEAVE IN PLACE CERTAIN MOVABLE AND IMMOVABLE PROPERTY AS COMPENSATION FOR DESTRUCTION AND DAMAGE AND BE RELIEVED OF RESPONSIBILITY TO RESTORE THE CENTER TO ITS PREVIOUS CONDITION. THE LESSOR ACCEPTED RESPONSIBILITY FOR PAYMENT OF ANY CUSTOMS DUTIES OR IMPORT TAXES. OWNERSHIP OF THE PROPERTY WAS TRANSFERRED SIMULTANEOUSLY WITH THE EXPIRATION OF THE LEASE, DIRECTLY FROM THE NAVY TO MR. FANTOZZI, AND DID NOT LIMITED OFFICIAL USE

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ENTER THE PURVIEW OF THE PROPERTY DISPOSAL OFFICE.

6. ALL PROPERTY WHICH THE NAVY LEFT AT THE CENTER WAS AT LEAST THIRTEEN YEARS OLD.

7 MR. FANTOZZI HAS SUBMITTED A LIST OF THE PROPERTY TO THE CUSTOMS DEPARTMENT, AND IS PREPARED TO PAY THE DUTIES WHEN REQUESTED.

SHERRY

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## Message Attributes

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**Disposition Date:** 28 MAY 2004  
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